368.302
P11f
1945

Financial Statement

DECEMBER 31

1945

THE LIBRARY OF THE
MAR 25 1946
UNIVERSITY OF ILLINOIS

PACIFIC MUTUAL
LIFE INSURANCE COMPANY

Los Angeles, California

PACIFIC MUTUAL AGENCIES

Alabama:

TUSCALOOSA
Frank Fitts, State Agent

Arizona:

PHOENIX
Schwentker & Sullivan, Gen'l Agts.

Arkansas:

LITTLE ROCK
C. L. Durrett, Gen'l Agt.

California:

FRESNO
Charlton G. Standeford, Gen'l Agt.

LONG BEACH
Harold D. Stevenson, Gen'l Agt.

LOS ANGELES
E. A. Ellis, Gen'l Agt.
Floyd W. Forker, C.L.U., Gen'l Agt.
Erle T. Gilbert, Gen'l Agt.
Arthur E. Kraus, C.L.U., Gen'l Agt.
Paschall-Gist Company, Gen'l Agts.
A. N. Boulton, Manager,
Western Railroad Department

OAKLAND
Ted Dreyer, C.L.U., Gen'l Agt.

PASADENA
Rexford M. Truesdell, Gen'l Agt.

SACRAMENTO
Frank E. Simpson, Gen'l Agt.

SAN DIEGO
G. Campbell Janney, Gen'l Agt.

SAN FRANCISCO
H. Kenneth Cassidy, C.L.U., Gen'l Agt.

SAN JOSE
C. T. ABELL, Gen'l Agt.

VENTURA
A. M. Anderson, Gen'l Agt.

Colorado:

DENVER
Carter H. Bryant, Gen'l Agt.

Delaware:

Smith & Martin, Gen'l Agts.,
Philadelphia, Pennsylvania

District of Columbia:

WASHINGTON
Raymond A. DuFour, Gen'l Agt.

Florida:

JACKSONVILLE
Harold E. Williams, Gen'l Agt.

MIAMI
Dave J. Cohn, Gen'l Agt.

TAMPA
W. R. Letcher, Gen'l Agt.

Georgia:

ATLANTA
Emory L. Jenks, C.L.U., Gen'l Agt.

Idaho:

Hazen Exeter, Gen'l Agt.,
Salt Lake City, Utah

Illinois:

CHICAGO
E. E. Henderson, Gen'l Agt.
The Rappaport Agency, Gen'l Agts.
The Watts Agency, Gen'l Agts.
C. H. Davis, Manager,
Eastern Railroad Department

SPRINGFIELD
Leon J. Senesac, Gen'l Agt.

Indiana:

EVANSVILLE
A. Wayne Toy, Gen'l Agt.

INDIANAPOLIS
Rex N. Rafferty, Gen'l Agt.

Iowa:

CEDAR RAPIDS
C. H. Fowler, Gen'l Agt.

DES MOINES
Byron L. Hart, Gen'l Agt.

Kansas:

WICHITA
William E. Moore, Gen'l Agt.

Kentucky:

LOUISVILLE
Thomas H. Wall, Gen'l Agt.

Louisiana:

NEW ORLEANS
Roy A. Schroder, Gen'l Agt.

SHREVEPORT
Erick Gebsen, Gen'l Agt.

Maryland:

BALTIMORE
Bowen, Bartlett and Kennedy,
Gen'l Agts.

Michigan:

DETROIT
E. Walter Albachten, Gen'l Agt.

GRAND RAPIDS
Robert C. Reed, Gen'l Agt.

Mississippi:

NEW ALBANY
Paul Owen, Gen'l Agt.

Missouri:

KANSAS CITY
Robert E. Watts, Gen'l Agt.

ST. LOUIS
Max B. Jackoway, Gen'l Agt.

Nebraska:

OMAHA
Frank L. Sveska, Gen'l Agt.

Nevada:

Hazen Exeter, Gen'l Agt.,
Salt Lake City, Utah

New Jersey:

NEWARK
Arthur Lewis, Gen'l Agt.

New Mexico:

A. E. Bruce, Gen'l Agt.,
El Paso, Texas

North Carolina:

CHARLOTTE
G. W. Patterson, Gen'l Agt.

Ohio:

CINCINNATI
Joseph M. Gantz Agency, Gen'l Agts.

CLEVELAND
R. B. Coffman, Gen'l Agt.

COLUMBUS
Joseph M. Gantz Agency, Gen'l Agts.

DAYTON
Joseph M. Gantz Agency, Gen'l Agts.

Oklahoma:

OKLAHOMA CITY
Malcolm C. White, C.L.U., Gen'l Agt.

Oregon:

PORTLAND
F. A. Tatum, Gen'l Agt.

Pennsylvania:

ALLENTOWN
George C. Hutchins, Gen'l Agt.

ERIE
Cyrus Lund, Gen'l Agt.

PHILADELPHIA
Smith & Martin, Gen'l Agts.,
J. C. Staples, Manager

PITTSBURGH
W. W. Stewart, Gen'l Agt.

South Carolina:

ANDERSON
J. W. Dickson, State Agt.

South Dakota:

DEADWOOD
Seth R. Ellis, Gen'l Agt.

Tennessee:

MEMPHIS
Henry B. Cassell, Gen'l Agt.

Texas:

DALLAS
Lem C. Swinney, Gen'l Agt.

EL PASO
A. E. Bruce, Gen'l Agt.

HOUSTON
Jul B. Baumann, Gen'l Agt.

SAN ANTONIO
D. J. Farrell, Gen'l Agt.

Utah:

SALT LAKE CITY
Hazen Exeter, Gen'l Agt.

Virginia:

FARMVILLE
Joseph E. Garland, State Mgr.

LYNCHBURG
W. W. Averett, Jr., Gen'l Agt.

Washington:

SEATTLE
Walter R. Hoefflin, Gen'l Agt.
The Dwight Mead Agency

SPOKANE
R. D. Eller, Gen'l Agt.

West Virginia:

HUNTINGTON
Theodore Hundley, State Mgr.

Wisconsin:

MILWAUKEE
E. H. Mueller, Gen'l Agt.

Wyoming:

Carter H. Bryant, Gen'l Agt.,
Denver, Colorado

PACIFIC MUTUAL LIFE INSURANCE COMPANY

BALANCE SHEET, DECEMBER 31, 1945, COMBINING ALL DEPARTMENTS

(Participating Life, Non-Participating Life, Accident and Health, and Corporate)

Assets

CASH ON HAND AND IN BANKS (including time deposits)		$ 4,434,609.17
BONDS:		
United States Government	$130,051,369.26	
Canadian Government	2,565,088.39	
Canadian Provinces	709,223.75	
Public Utility	42,298,361.97	
Railroad	15,388,816.93	
Industrial and other	5,450,397.38	
Total bonds		196,463,257.68
CORPORATE STOCKS:		
Preferred	$ 4,021,125.00	
Common	2,662,250.00	
Total corporate stocks		6,683,375.00
MORTGAGE LOANS ON REAL ESTATE (including F.H.A. loans, $48,849,383.27)		80,753,215.62
LOANS ON POLICIES		16,456,840.65
COLLATERAL LOANS		5,340.00
REAL ESTATE:		
Home Office Property	$ 7,900,000.00	
Other Properties	519,494.62	
Total real estate		8,419,494.62
INTEREST AND RENTS DUE AND ACCRUED		1,394,687.51
PREMIUMS OUTSTANDING AND DEFERRED		4,901,095.25
OTHER ASSETS		19,015.53
TOTAL		$319,530,931.03

Liabilities

POLICY AND CLAIM RESERVES		$280,940,190.85
OTHER LIABILITIES TO POLICYHOLDERS:		
Policy dividends left with Company and accrued interest thereon	$6,648,329.00	
Reserve for dividends	742,660.01	
Advance premium deposits	2,510,381.61	
Advance interest on policy loans	354,081.62	
Total other liabilities to policyholders		10,255,452.24
BANK OBLIGATIONS FOR PURCHASE OF UNITED STATES GOVERNMENT VICTORY LOAN BONDS ($10,000,000.00 of such bonds pledged as collateral)		10,000,000.00
OTHER LIABILITIES (including Federal and State taxes)		2,802,707.26
UNREALIZED APPRECIATION IN VALUE OF CORPORATE STOCKS AND UNAMORTIZED BONDS		2,245,874.12
MORTGAGE LOAN RESERVES		653,351.40
SPECIAL CORPORATE RESERVE		2,500,000.00
UNASSIGNED SURPLUS (for the exclusive use of the Participating Life Department)		622,129.02
CAPITAL STOCK AND SURPLUS (available for all departments):		
Capital stock (authorized and issued, 10,000 shares of $100.00 each)	$1,000,000.00	
Surplus (including paid-in surplus, $2,000,000.00)	8,511,226.14	
Total capital stock and surplus		9,511,226.14
TOTAL		$319,530,931.03

NOTES: The investment securities shown in the above balance sheet have been valued on bases approved generally by the National Association of Insurance Commissioners and the Insurance Commissioner of the State of California. At December 31, 1945, bonds valued at $750,126.80 were on deposit with various State authorities to meet statutory requirements.

All of the Company's capital stock (none of which has ever been traded in) is held in trust for the Insurance Commissioner of the State of California and is subject to policyholders' option to mutualize the Company, contained in the Agreement of Rehabilitation and Reinsurance of July 22, 1936. In the event of mutualization a Price Determination Committee, therein provided for, would determine the price to be paid for the stock of this Company and appropriate terms of payment. The Agreement of July 22, 1936 provides for restoration of benefits under Non-Cancellable Income Disability policies out of appropriations from Corporate Surplus, subject to the limitations therein contained. Heretofore there has been appropriated for such restoration the sum of $3,117,000 (which provided a 12% restoration) and in addition $2,000,000 has been set aside in a special corporate reserve which may be used for further restoration. The Company has no fixed obligation with respect to the Non-Cancellable Income Disability policies beyond that imposed by said Agreement of July 22, 1936.

ACCOUNTANTS' CERTIFICATE

PACIFIC MUTUAL LIFE INSURANCE COMPANY:

We have made an examination of the balance sheet of Pacific Mutual Life Insurance Company as of December 31, 1945. In connection therewith, we examined or tested Home Office accounting records of the Company and other supporting evidence and made a general survey of the accounting methods and tests of the income and disbursement accounts for the year 1945. The policy and claim reserves were confirmed by certificate of Mr. William M. Corcoran, consulting actuary of New York City.

In our opinion, based upon such examination, the above balance sheet fairly presents the financial condition of the Company at December 31, 1945.

Los Angeles,
February 26, 1946

—HASKINS & SELLS

DIRECTORS

FRANK E. BUCK, San Francisco
President, Golden State Company, Ltd.

ASA V. CALL, Los Angeles
President, Pacific Mutual Life Insurance Company

SHANNON CRANDALL, Los Angeles
Chairman of the Board, California Hardware Company

HOWARD S. DUDLEY, Los Angeles
Vice President, Pacific Mutual Life Insurance Company

B. R. FUNSTEN, San Francisco
President, Walton N. Moore Dry Goods Co.

STEPHEN M. GRIFFITH, Los Angeles
President, Griffith Company

SAMUEL M. HASKINS, Los Angeles
Gibson, Dunn & Crutcher, Attorneys

PRESTON HOTCHKIS, Los Angeles
President, Central Business Properties, Inc.

JOHN EARLE JARDINE, Los Angeles
President, William R. Staats Company

A. N. KEMP, Los Angeles
Chairman of the Board, Pacific Mutual Life Insurance Company

H. S. MacKAY, Jr., Los Angeles
Flint & MacKay, Attorneys

ATHOLL McBEAN, San Francisco
Chairman, Gladding, McBean & Co.

A. J. McFADDEN, Santa Ana
Past President, California State Chamber of Commerce

HENRY S. McKEE, Los Angeles
President, Pacific-American Investors, Inc.

NEIL PETREE, Los Angeles
President, Barker Bros.

WILLIAM A. SIMPSON, Los Angeles
President, William Simpson Construction Co.

GUY LeROY STEVICK, San Francisco
Vice President, Fidelity & Deposit Company of Maryland

VOTING TRUSTEES

THE HON. MAYNARD GARRISON
The Insurance Commissioner of the State of California

COLBERT COLDWELL, San Francisco
Coldwell, Banker & Company

A. CRAWFORD GREENE, San Francisco
McCutchen, Thomas, Matthew, Griffiths & Greene

HARVEY S. MUDD, Los Angeles

SILAS H. PALMER, San Francisco

VICTOR H. ROSSETTI, Los Angeles
President, Farmers & Merchants National Bank

DR. RUFUS B. von KLEINSMID, Los Angeles
President, University of Southern California

368.302
P11f
1945

SECURITY INVESTMENTS

The Company's security holdings increased $45,050,327.43 in 1945, which compares with an increase of $34,748,394.68 in 1944. Total security holdings of $203,146,632.68 now equal 63.58% of the Company's total admitted assets. This compares with 54.55% in 1944.

Ninety-five per cent of the bonds owned are rated A or better. No bonds are in default as to principal or interest. Of the stocks owned, 60% ($4,021,125) are preferred and 40% ($2,662,250) are common stocks.

DISTRIBUTIONS TO POLICYHOLDERS

In the Company's payments to policyholders and their beneficiaries, during the year, the amounts have been distributed as follows:

For Death Claims	$ 6,996,380
For Matured Endowments, Annuities, Surrenders and Dividends . .	7,030,119
For Disability	4,415,180
TOTAL	$18,441,679

GROUP INSURANCE

In keeping with its desire to provide a well-rounded service to the public, the Company has established a Group Department, under experienced and capable management. The various forms of Group Insurance, including Group Life Insurance, Group Accident and Sickness, Group Annuities and Group Hospitalization, are provided.

35 Mr 46 dis 9 1945 Cont'd on p 8

HIGHLIGHTS
OF
1945 OPERATIONS AND RESULTS

Life Insurance in force at the end of 1945 totalled $718,917,013, a gain for the year of $43,739,000.

☆

Payments to policyholders and their beneficiaries were $18,441,679.

☆

New Life Insurance issued in 1945 totalled $81,671,284. The premium income of the Accident and Health Department was $5,503,285.

☆

Policy and Claim Reserves of $280,940,190 represent an increase during 1945 of $15,730,029.

☆

During 1945 the Company's Assets reached the all-time high figure of $319,530,931—an increase of $29,730,416 for the year.

☆

The Company's interest earning on its assets in 1945 was 3.10%. Five years ago the rate earned was 3.60%. Life insurance companies generally have also experienced steadily declining interest earnings.

The Government's fiscal policy of cheap money is responsible for the decline over the past few years in the life companies' interest earnings and will, if continued, force still lower earnings. That is a matter of grave concern to life insurance management and should be to the 71,000,000 policyholders throughout the country, not only because low interest earnings increase the cost of insurance to the policyholders, but also because life insurance premiums and reserves presuppose and require the earning of fixed rates of interest, determined, to a large extent, before these governmental practices were instituted.

☆

In quality of investments, Pacific Mutual ranks with the best. United States Government Bonds represent 40% of its assets.

1896-45

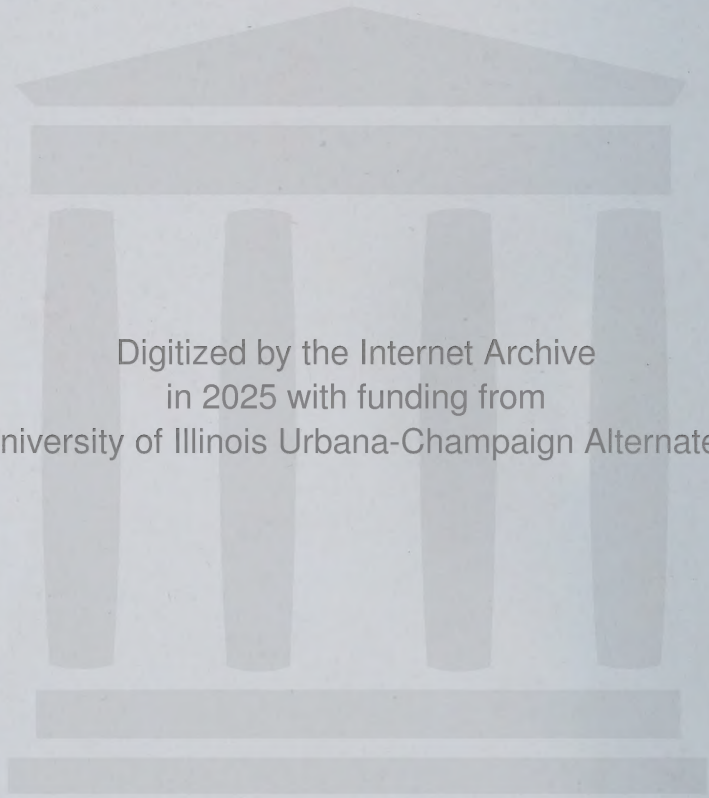
368.302
P11f
1943

FINANCIAL STATEMENT

DECEMBER

1 9 4 3

PACIFIC MUTUAL LIFE
INSURANCE COMPANY
☆ *LOS ANGELES, CALIFORNIA* ☆



Digitized by the Internet Archive
in 2025 with funding from
University of Illinois Urbana-Champaign Alternates

https://archive.org/details/reporttopolicyow1941paci

368.302
P11f
1943

THE LIBRARY OF THE
MAR 24 1944
UNIVERSITY OF ILLINOIS

February 25, 1944

To All Policyholders:

Our country is now entering its third year as an active combatant in the World War.

The price that is being paid to win this war is tremendous; the national problems currently to be solved and those which will remain to be solved when peace comes are numerous and difficult; the national debt will reach proportions that none originally envisioned. But the American people have always demonstrated a capacity to surmount difficulties and, if properly informed, they will surmount those which are now presented.

The Directors and Officers of this Company believe that accurate information is basic to understanding, and in presenting a simple, factual, informational report to its policyholders they are attempting to apply this principle. The Management is determined that realism shall govern its decisions.

Through all the years, life insurance has continued to be the safest investment for the American people. The current period of worldwide cataclysm is no exception; nor will the uncertain post-war years witness a change in this fact.

I

This Company has paid to Policyholders and their Beneficiaries $17,674,886.24 during the past year. In addition, policy and claim reserves have been increased $9,838,477.67 to $251,236,859.66 against future payments under policy contracts.

New life insurance issued in 1943 amounted to $50,565,680.00, a gain of 32 per cent over the previous year. Total insurance in force reached an aggregate of $622,659,773.00.

These are large amounts and reflect the fact that the Company continues in a very substantial manner to perform the functions for which life insurance is intended. It is certain that this healthy condition is as great a source of satisfaction to the policyholders as it is to the management. But there is a further implication which should not be overlooked. Every dollar which is distributed under policy payments is an exemplification of individual initiative; the personal responsibility to provide for the future. Each dollar added to reserves is an emphatic reassertion of a belief in the virtues of thrift and foresight. The purchase of new life insurance is an acceptance of the principle that each one has a responsibility to look ahead and plan for the day of need. These are fundamental American concepts and surely are included in the objectives for which this war is being waged.

II

Assets increased $10,514,192.39 during the year to a record high of $273,367,335.47 and it is important to look into what these assets are. Here is an analysis of the principal items:

U. S. Government Securities	$ 73,288,891.83
Other Bonds	$ 47,460,613.25
First Mortgage Loans	$106,014,349.12
Real Estate (other than Home Office property)	$ 4,390,598.61
Loans to Policyholders	$ 21,688,957.00

First in importance is the investment in Government Securities. This has increased $10,762,288.75 during the year, and $27,534,161.33 since the United States entered the war. It represents direct support of the war effort, wholly apart from the fact that it is also an investment in the world's finest security. The Company has been a substantial subscriber to each of the War Loans, and continues to be one of the largest purchasers of Government issues in the western part of the nation.

Of the Other Bonds, amounting to $47,460,613.25, the diversity of investment is reflected in the following tabulation:

Public Utility	$27,890,966.20
Railroads	$ 9,139,005.30
State, County and Municipal	$ 3,350,847.60
Canadian	$ 2,719,964.04
All Others	$ 4,359,830.11

It is noteworthy that 93 per cent of all bonds owned by the Company are rated "A" or better.

Although building has been greatly restricted during the war, and borrowers have been urged to reduce their indebtedness wherever possible, the Company has been alert to such opportunities as exist to lend money, with the result that the volume of First Mortgage Loans has remained at a level approximating that of a year ago. With a prolonged war, however, it is certain that a substantial decline in the amount so invested will be experienced.

The real estate owned, other than the Home Office property, is carried at $4,390,598.61, which is a reasonable valuation of the Company's properties. Sales of real estate during the year amounted to $2,258,770.50. The amount formerly set aside as a reserve for specific properties and which has heretofore been included in the "Investment Contingency Reserves" was applied during the year as a reduction in the book value of the real estate account. This is in accordance with the recommendation of the National Association of Insurance Commissioners.

The value of the Home Office property is reduced annually by a charge for depreciation amounting to $300,000.00, and the present carrying value is $9,000,000.00.

III

One aspect of Policyholder interest which finds expression in the Company's program, is the fight against dangerous inflation. Together with many other leading institutions in the field of life insurance, Pacific Mutual has joined in advocating a 7-point campaign designed to check the inflationary process.

1. Buy and hold War Bonds
2. Pay proportionate taxes willingly
3. Provide for security by adequate life insurance and savings
4. Reduce debt
5. Buy only necessities and conserve
6. Follow ration rules
7. Cooperate with the wage stabilization program

The purchase of life insurance is in itself anti-inflationary. Each dollar so invested is removed from competition for scarce commodities, and diverted into channels of investment. These funds, conserved today in patriotism, will aid tomorrow in gratifying long cherished wants at a time when the ways of peace have again been restored. The people of this nation, soundly advised, will meet the issue of threatened inflation just as they have met successfully every other crisis in the past.

IV

Continued favorable mortality experience has been sustained, the rate for 1943, in fact being slightly better than that experienced in 1942, and below the average for the past five years. This is an important consideration since the margins of safety in life insurance are directly related to mortality experience and the rate of interest earned. With the present low money rates, and little prospect for an immediate betterment, the favorable mortality experience is significant. While the Company averaged 3.33 per cent interest return, net after investment expense, as compared with 3.43 per cent in 1942, it has been concluded nevertheless, that dividends to Policyholders of the Participating Life Department will be maintained currently at the same rate as last year.

V

The Corporate Surplus was increased during the year to $7,112,808.04, after all claim payments, charges and expense, additions to legal reserves, and the creation of a Special Corporate Reserve of $1,000,000.00. This makes a combined Capital and Corporate Surplus of $8,112,808.04 and constitutes a general security fund for the added protection of all Policyholders. Together with the $800,178.55 of Surplus allocated exclusively to the Participating Life Department, this results in an aggregate of $8,912,986.59 Capital and Surplus.

The books of the Company were audited by Haskins and Sells, Certified Public Accountants, and policy and claim reserves were verified by William M. Corcoran, Consulting Actuary of New York.

VI

This report is presented as briefly as the facts and inferences warrant. It seeks to reveal those details from which the policyholders may fairly judge the progress that has been made, and clearly understand the extent to which the Company is consecrated to attainment of America's objectives in this war. Every member of the Pacific Mutual organization, whether in the Field or at the Home Office, is performing some type of service. Two hundred and twenty are in the armed forces. Already some have paid the "last full measure of devotion."

We cannot know at this time how long or how costly this war may prove. But we can so order the course of our affairs that we will be best prepared for whatever the future may hold. We can, by determined and unremitting effort, do our full share to speed the cause of Victory.

Asa V. Call

President

PACIFIC MUTUAL LIF

BALANCE SHEET, DECEMBER 31,

(Participating Life, Non-participating

ASSETS

CASH ON HAND AND IN BANKS (including time deposits)		$ 4,078,627.56
BONDS:		
United States Government	$73,288,891.83	
Canadian Government	2,719,964.04	
State, County, and Municipal	3,350,847.60	
Public Utility	27,890,966.20	
Railroad	9,139,005.30	
Industrial and other	4,359,830.11	
Total bonds		120,749,505.08
CORPORATE STOCKS:		
Preferred	$ 1,223,869.79	
Common	1,374,535.70	
Total corporate stocks		2,598,405.49
MORTGAGE LOANS ON REAL ESTATE (including $61,489,087.28 FHA loans)		106,014,349.12
LOANS ON POLICIES		21,688,957.00
COLLATERAL LOANS		178,803.12
REAL ESTATE:		
Home Office property	$ 9,000,000.00	
Other properties	4,390,598.61	
Total real estate		13,390,598.61
INTEREST AND RENTS DUE AND ACCRUED		1,297,648.53
PREMIUMS OUTSTANDING AND DEFERRED		3,334,930.36
OTHER ASSETS		35,510.60
TOTAL		$273,367,335.47

NOTES: 1. The investment securities shown in the above balance sheet ha
missioners and the Insurance Commissioner of the State
deemed not eligible for amortization, $2,496,777.01, and
securities based on published quotations of the National

2. At December 31, 1943, bonds and real estate mortgages (trus
state authorities to meet statutory requirements.

3. The accounts of the Company's agency offices were closed as
date are not reflected in the above statement.

NSURANCE COMPANY

COMBINING ALL DEPARTMENTS

Accident and Health, and Corporate)

LIABILITIES

POLICY AND CLAIM RESERVES:		
Policy reserves	$212,977,617.88	
Approved claims payable in instalments	35,756,578.00	
Death, disability, and endowment claims awaiting completion of proofs	2,502,663.78	
Total policy and claim reserves		$251,236,859.66
OTHER LIABILITIES TO POLICYHOLDERS:		
Policy dividends left with Company and accrued interest thereon	$ 6,024,119.00	
Reserve for dividends	563,645.62	
Advance premium deposits	1,145,526.47	
Advance interest on policy loans	461,940.49	
Total other liabilities to policyholders		8,195,231.58
OTHER LIABILITIES (including Federal and State taxes)		2,919,962.64
MORTGAGE LOAN RESERVES		1,102,295.00
SPECIAL CORPORATE RESERVES		1,000,000.00
UNASSIGNED SURPLUS (for the exclusive use of the Participating Life Department)		800,178.55
CAPITAL STOCK AND SURPLUS (available for all departments):		
Capital stock (authorized and issued, 10,000 shares of $100.00 each)	$ 1,000,000.00	
Surplus (including paid-in surplus, $2,000,000.00)	7,112,808.04	
Total capital stock and surplus		8,112,808.04
TOTAL		$273,367,335.47

valued on bases approved by the National Association of Insurance Com-
rnia, except that the Company has elected to carry at book values, bonds
cquired after June 30, 1939, $1,304,037.27. The market values of these
ion of Insurance Commissioners are in excess of such book values.
of the aggregate book value of $916,211.07 were on deposit with various

mber 15, 1943; hence the transactions of such offices subsequent to that

HASKINS & SELLS
CERTIFIED PUBLIC ACCOUNTANTS

PACIFIC MUTUAL BUILDING
LOS ANGELES 14

ACCOUNTANTS' CERTIFICATE

To the Board of Directors of
Pacific Mutual Life Insurance Company:

We have made an examination of the balance sheet of Pacific Mutual Life Insurance Company as of December 31, 1943. In connection therewith, we examined or tested Home Office accounting records of the Company and other supporting evidence and made a general survey of the accounting methods and tests of the income and disbursement accounts for the year 1943.

Our survey of accounting methods extended to the various departments of the Company responsible for the control of its income and expenditures and for the custody of its assets. As a result of our survey and of our examination or tests of the cash and other transactions we are of the opinion that the methods employed and the controls exercised are effective.

We verified the cash balances by count and by certification of the depositaries, and the bonds and corporate stocks by inspection of those on hand, and by confirmation of the depositaries as to those held elsewhere. We examined a representative number of mortgage loans by inspection of the notes and related documents and made test confirmations of the balances by correspondence with the debtors; as to policy loans, we made test inspections of the loan contracts. We examined the records and supporting documents pertaining to real properties acquired or disposed of during the year.

The policy and claim reserves were examined by Mr. William M. Corcoran, Consulting Actuary of New York City, who has stated in his certificate that the total of such reserves, $251,236,859.66, is a satisfactory and adequate present valuation of the Company's liability therefor.

In our opinion, based on such examination, the accompanying balance sheet fairly presents the financial condition of the Company at December 31, 1943.

HASKINS & SELLS

Los Angeles, February 21, 1944.

PACIFIC MUTUAL AGENCIES

ALABAMA—Tuscaloosa
Frank Fitts, State Agent

ARIZONA—Phoenix
F. B. Schwentker, General Agent

ARKANSAS—Little Rock
C. L. Durrett, General Agent

CALIFORNIA

Fresno
Charlton G. Standeford,
General Agent

Glendale
Verne D. Whitnah, General Agent

Long Beach
Harold D. Stevenson,
General Agent

Los Angeles
E. A. Ellis, General Agent
Arthur E. Kraus, C.L.U.,
General Agent
Paschall-Gist Company,
General Agents
A. N. Boulton, Sales Manager
Western Railroad Department

Oakland
Ted Dreyer, C.L.U.,
General Agent

Pasadena
Rexford M. Truesdell,
General Agent

Sacramento
Herbert G. Pink, General Agent

San Diego
G. Campbell Janney,
General Agent

San Francisco
H. Kenneth Cassidy, C.L.U.,
General Agent

San Jose
C. T. Abell, General Agent

Ventura
A. M. Anderson, General Agent

West Los Angeles
Erle T. Gilbert, General Agent

COLORADO—Denver
Fabling and Gillis,
General Agents

DELAWARE
Hare and Chase, General Agents
Philadelphia, Pennsylvania

DISTRICT OF COLUMBIA

Washington
Raymond A. DuFour,
General Agent

FLORIDA

Jacksonville
Harold E. Williams, General Agent

Miami
Dave J. Cohn, General Agent

Tampa
W. R. Letcher, General Agent

GEORGIA—Atlanta
Emory L. Jenks, C.L.U.,
General Agent

IDAHO
Hazen Exeter, General Agent
Salt Lake City, Utah

ILLINOIS

Chicago
E. E. Henderson, General Agent
The Rappaport Agency,
General Agents
John L. Watts, General Agent
C. H. Davis, Manager
Eastern Railroad Department

Springfield
Leon J. Senesac, General Agent

INDIANA

Evansville
A. Wayne Toy, General Agent

Indianapolis
Rex N. Rafferty, General Agent

IOWA

Cedar Rapids
William G. Young, Jr.,
General Agent

Des Moines
Byron L. Hart, General Agent

KANSAS—Wichita
William E. Moore, General Agent

KENTUCKY—Louisville
Thomas H. Wall, General Agent

LOUISIANA

New Orleans
Roy A. Schroder, General Agent

Shreveport
Erick Gebsen, General Agent

MARYLAND—Baltimore
Bowen, Bartlett and Kennedy,
General Agents

PACIFIC MUTUAL AGENCIES

(Continued)

MICHIGAN
Detroit
E. Walter Albachten, General Agent
Grand Rapids
Robert C. Reed, General Agent

MISSISSIPPI—New Albany
Paul Owen, General Agent

MISSOURI
Kansas City
Robert E. Watts, General Agent
St. Louis
Max B. Jackoway, General Agent

NEBRASKA—Omaha
Frank L. Sveska, General Agent

NEVADA
Hazen Exeter, General Agent
Salt Lake City, Utah

NEW JERSEY—Newark
T. C. Sherman, General Agent

NEW MEXICO
The Schwentker-Bruce Agency
El Paso, Texas

NORTH CAROLINA—Charlotte
G. W. Patterson, General Agent

OHIO
Cincinnati
Joseph M. Gantz Agency, General Agents
Cleveland
R. B. Coffman, General Agent
Columbus
Joseph M. Gantz Agency, General Agents
Dayton
Joseph M. Gantz Agency, General Agents

OKLAHOMA—Oklahoma City
Malcolm C. White, C.L.U., General Agent

OREGON—Portland
F. A. Tatum, General Agent

PENNSYLVANIA
Allentown
George C. Hutchins, General Agent
Erie
Cyrus Lund, General Agent
Philadelphia
Hare and Chase, General Agents; and J. C. Staples, Manager
Pittsburgh
Hoover and Diggs Co., General Agents; and A. M. Klages, Manager

SOUTH CAROLINA—Anderson
J. W. Dickson, State Agent

SOUTH DAKOTA—Deadwood
Seth R. Ellis, General Agent

TENNESSEE—Memphis
Cliff Blackburn, General Agent

TEXAS
Dallas
Lem C. Swinney, General Agent
El Paso
The Schwentker-Bruce Agency
Houston
Jul B. Baumann, General Agent
San Antonio
D. J. Farrell, General Agent

UTAH—Salt Lake City
Hazen Exeter, General Agent

VIRGINIA
Farmville
Joseph E. Garland, State Manager
Lynchburg
W. W. Averett, Jr., General Agent
Roanoke
W. K. Davis, District Manager

WASHINGTON
Seattle
The Dwight Mead Agency
Paul A. Wallace, General Agent
Spokane
R. D. Eller, General Agent

WEST VIRGINIA—Huntington
Theodore Hundley, State Manager

WISCONSIN—Milwaukee
E. H. Mueller, General Agent

WYOMING
Fabling and Gillis, General Agents
Denver, Colorado

DIRECTORS

PACIFIC MUTUAL LIFE INSURANCE COMPANY

Frank E. Buck, *San Francisco*
President, Golden State Company, Ltd.

Asa V. Call, *Los Angeles*
President, Pacific Mutual Life Insurance Company

Shannon Crandall, *Los Angeles*
President, California Hardware Company

Howard S. Dudley, *Los Angeles*
Vice-President, Pacific Mutual Life Insurance Company

B. R. Funsten, *San Francisco*
President, Walton N. Moore Dry Goods Co.

Stephen M. Griffith, *Los Angeles*
President, Griffith Company

George Gund, *Cleveland*
President, The Cleveland Trust Company

Samuel M. Haskins, *Los Angeles*
Gibson, Dunn & Crutcher, Attorneys

John Earle Jardine, *Los Angeles*
President, William R. Staats Company

A. N. Kemp (Chairman of the Board) *Los Angeles*
President, American Airlines, Inc.

H. S. MacKay, Jr., *Los Angeles*
Flint & MacKay, Attorneys

Atholl McBean, *San Francisco*
Chairman, Gladding, McBean & Co.

A. J. McFadden, *Santa Ana*
Past President, California State Chamber of Commerce

Henry S. McKee, *Los Angeles*
President, Pacific Southern Investors

Neil Petree, *Los Angeles*
President, Barker Bros.

William A. Simpson, *Los Angeles*
President, William Simpson Construction Company

Guy LeRoy Stevick, *San Francisco*
Vice-President, Fidelity & Deposit Company of Maryland

VOTING TRUSTEES

The Insurance Commissioner of the State of California

Colbert Coldwell
Coldwell, Banker & Company
San Francisco, California

A. Crawford Greene
McCutchen, Thomas, Matthew, Griffiths & Greene
San Francisco, California

Harvey S. Mudd
Los Angeles, California

Silas H. Palmer
San Francisco, California

Victor H. Rossetti, *President*
Farmers & Merchants National Bank
Los Angeles, California

Dr. Rufus B. von KleinSmid, *President*
University of Southern California
Los Angeles, California

1896–43

368.302
P11f
1942

FINANCIAL STATEMENT

DECEMBER
1 9 4 2

THE LIBRARY OF THE
MAR 24 1943
UNIVERSITY OF ILLINOIS

PACIFIC MUTUAL LIFE
INSURANCE COMPANY
✯ LOS ANGELES, CALIFORNIA ✯

February 24, 1943

To All Policyholders:

In this, the second year of our participation in the Great War, and with the American people consecrated to its unremitting prosecution, little time should be spared for matters which involve unnecessary details. With this in mind, the substance of this Report to Policyholders for 1942 has been prepared. It undertakes to give an account of the salient points of Company progress and current condition, and to conserve the reader's time by omitting all but the factual record.

The firm of Haskins and Sells, Certified Public Accountants, have audited the books and William M. Corcoran, Consulting Actuary of New York, verified policy and claim reserves.

It is the belief of the management that never has there been a time when the policyholders were as well protected as they are now. There have been periods when some one factor in the Company's operation has shown to greater advantage than during 1942, but the combination of all has never before been so advantageously joined. Total life insurance in force has passed the six hundred million dollar mark; assets have increased to $262,853,143.08, a gain of $8,004,498.63 for the year. Life insurance written totalled $38,249,939.

The mortality experience has remained at a favorable low level, in fact, below the average for the preceding five years. The importance of this is apparent when considered in connection with the current downward trend of interest rates during the past ten years. During 1942, your Company averaged 3.43% interest return, net after investment expense. Since the safety factors in life insurance are directly related to the mortality experience and the interest earned, it is apparent that the continuing favorable mortality ratio is significant. It follows that the dictates of prudence and conservatism will be best served by considering no change in policyholders' dividends at present.

The principal asset items are securities owned $104,412,228.23 and first mortgage loans on real estate $106,322,551.49. Together these aggregate $210,734,779.72. Of the securities owned, $62,526,603.08 represent U.S. government bonds, than which no finer investment is to be found in the world today. In the mortgage account $57,960,759.34 is invested in F.H.A. insured loans. These loans have back of them not only the mortgaged properties themselves, but also as to principal and interest after commencement of foreclosure proceedings, the unconditional guarantee of the Federal Government. It may therefore be said that these combined items, government bonds and F.H.A. insured loans amounting to $120,487,362.42 and exceeding 42% of the Company's total assets, directly and indirectly constitute an investment backed by the credit of the United States.

During the year the Company increased its investments in U.S. government bonds in the amount of $16,021,068. This is equivalent to

more than two times the total increase in Assets. It is the fixed policy of this Company actively to aid the nation's war effort in every possible way. One very direct manifestation of this attitude is to be found in its cooperation with the program of government finance.

During the year, payments to policyholders or their beneficiaries amounted to $19,139,506.42, and $7,174,811.21 was added to policy and claim reserves making a total of $26,314,317.63 applied directly to the benefit of policyholders. Since life insurance companies exist for the purpose of making such payments under the provisions of the policy contracts, this is one of the most constructive items in the whole report.

In its investment program the Company has continued to follow a conservative and realistic course. Government bonds have been the largest purchases, and in the following table is listed the principal investment items:

Par Value	Securities & Mortgages Owned December 31, 1942	Carried at	% of Total Assets
	Bonds		
$61,867,950.00	U.S. Government	$62,526,603.08	23.79
3,346,372.65	State & Municipal	3,563,902.10	1.36
2,200,000.00	Canadian Government	2,224,594.68	0.85
8,437,000.00	Railroad*	8,080,415.92	3.07
21,183,000.00	Public Utility	22,014,457.92	8.37
4,943,050.00	Industrial, etc.	3,910,090.31	1.49
Shares	*Stocks*		
18,117	Bank	1,068,225.76	0.40
31,610	Public Utility	774,009.79	0.29
13,303	Industrial & Misc.	249,928.67	0.10
Bonds & Stocks—Total		$104,412,228.23	39.72
Mortgage Loans on Real Estate		$106,322,551.49	40.45
		$210,734,779.72	

*Includes $1,841,527.35 Canadian National Railway bonds guaranteed by Dominion of Canada.

Mortgage loans amounting to $106,322,551.49 constitute the largest single classification of investments. Since December 1941, the aggregate net mortgage investment has increased $4,719,501.01. To secure this net increase, after maturities and repayments were taken into account, it was necessary to invest more than $20,000,000. With present war-time restrictions on building, and the emphasis on repayment of personal debts, it is anticipated that the aggregate of mortgage loans will decline during 1943.

Real estate owned is divided into two principal classifications: (1) Home Office and (2) other properties. Each year, the value of the Home Office property is reduced by a charge for depreciation of the building

and amortization of the land value. In 1942 the amount of this write-off was $273,587.40 and the present carrying value is $9,300,000. The other real estate was acquired by the Company as the result of foreclosed mortgage loans and is disposed of by sale, as conditions permit. The net of other real estate owned after reserves and write down is $7,152,839.60. With the restrictions which exist under war conditions, there is a severe curtailment of the market for real estate, in spite of which limitation, sales in 1942 totalled $1,024,969.

After payments to policyholders and beneficiaries, aggregating $19,139,506.42, additions to policy and claim reserves of $7,174,811.21, reserves for taxes and all other charges and an enlargement of the Surplus of the Participating Life Department from $324,957 to $709,599, the Corporate Surplus was increased by $445,033 during 1942. This makes a combined Capital and Corporate Surplus of $7,730,024.63 constituting a security fund for all policyholders over and above the policy and claim reserves, which together with the $709,599 of Surplus, applicable exclusively to the Participating Life Department, aggregate $8,439,624 of Capital and Surplus.

Life insurance has its being in the desire of men and women to be free and independent, to enjoy a decent standard of living and to face the future without fear of want for themselves or their loved ones. That such desires may be freely satisfied is one of the noble purposes for which this war is being fought. Pacific Mutual and all of its representatives, whether in the Home Office or in the Field are dedicated to the cause of victory. More than two hundred of them are in the armed services and many more of our men and women are patriotically and unselfishly serving in such activities as the Red Cross, Nurses' Aid, U. S. O., civilian defense, information centers and the sale of war bonds. Pacific Mutual employees were among the first to attain 100% in war bond purchases and to exceed substantially the 10% allotment suggested by the United States Treasury Department.

With you, we look forward to the day of victory, when the rights and freedoms for which our forefathers struggled shall again be assured to this nation.

Asa V. Call

President

PACIFIC MUTUAL LIFE

Balance Sheet, December 31, 1

(Participating Life, Non-Participating L

ASSETS

CASH ON HAND AND IN BANKS (including time deposits)		$ 3,411,373.69
BONDS:		
United States Government	$62,526,603.08	
Canadian Government	2,224,594.68	
State, county, and municipal	3,563,902.10	
Public utility	22,014,457.92	
Railroad	8,080,415.92	
Industrial and other	3,910,090.31	
Total bonds		102,320,064.01
CORPORATE STOCKS:		
Preferred	$ 801,679.79	
Common	1,290,484.43	
Total corporate stocks		2,092,164.22
MORTGAGE LOANS ON REAL ESTATE (including $57,960,759.34 FHA loans)		106,322,551.49
LOANS ON POLICIES		26,016,466.75
COLLATERAL LOANS		226,403.75
REAL ESTATE:		
Home office property	$ 9,300,000.00	
Other properties	8,684,651.83	
Total real estate		17,984,651.83
INTEREST AND RENTS DUE AND ACCRUED		1,233,017.14
PREMIUMS OUTSTANDING AND DEFERRED		3,221,247.48
OTHER ASSETS		25,202.72
TOTAL		$262,853,143.08

NOTES: 1. At December 31, 1942, bonds and real estate mortgages (trust dee authorities to meet statutory requirements.

2. The accounts of the Company's agency offices were closed as of D not reflected in the above statement.

INSURANCE COMPANY

2, Combining All Departments

, Accident and Health, and Corporate)

LIABILITIES

POLICY AND CLAIM RESERVES:		
Policy reserves	$203,930,745.66	
Approved claims payable in instalments	35,247,196.00	
Death, disability, and endowment claims awaiting completion of proofs	2,220,440.33	
Total policy and claim reserves		$241,398,381.99
OTHER LIABILITIES TO POLICYHOLDERS:		
Policy dividends left with Company and accrued interest thereon	$ 5,797,383.00	
Reserve for dividends	542,853.70	
Advance premium deposits	898,676.68	
Advance interest on policy loans	558,962.25	
Total other liabilities to policyholders		7,797,875.63
RESERVE FOR FEDERAL, STATE, AND COUNTY TAXES		877,697.00
OTHER LIABILITIES		1,684,945.83
INVESTMENT CONTINGENCY RESERVES		2,654,618.81
UNASSIGNED SURPLUS (for the exclusive use of the Participating Life Department)		709,599.19
CAPITAL STOCK AND SURPLUS (available for all departments):		
Capital stock (authorized and issued, 10,000 shares of $100.00 each)	$ 1,000,000.00	
Surplus (including paid-in surplus, $2,000,000.00)	6,730,024.63	
Total capital stock and surplus		7,730,024.63
TOTAL		$262,853,143.08

)of the aggregate book value of $943,211.07 were on deposit with various State

ber 15, 1942; hence the transactions of such offices subsequent to that date are

HASKINS & SELLS
CERTIFIED PUBLIC ACCOUNTANTS

PACIFIC MUTUAL BUILDING
LOS ANGELES

ACCOUNTANTS' CERTIFICATE

To the Board of Directors of
Pacific Mutual Life Insurance Company:

We have made an examination of the balance sheet of Pacific Mutual Life Insurance Company as of December 31, 1942. In connection therewith, we examined or tested home office accounting records of the Company and other supporting evidence and made a general survey of the accounting methods and tests of the income and disbursement accounts for the year 1942.

Our survey of accounting methods extended to the various departments of the Company responsible for the control of its income and expenditures and for the custody of its assets. As a result of our survey and of our examination or tests of the cash and other transactions we are of the opinion that the methods employed and the controls exercised are effective.

We verified the cash balances by count and by certification of the depositaries, and the bonds and corporate stocks by inspection of those on hand, and by confirmation of the depositaries as to those held elsewhere. We examined a representative number of mortgage loans by inspection of the notes and related documents and made test confirmations of the balances by correspondence with the debtors; as to policy loans, we made test inspections of the loan contracts. We examined the records and supporting documents pertaining to real properties acquired or disposed of during the year.

The investment securities are stated on valuation bases approved by the National Association of Insurance Commissioners and the Insurance Commissioner of the State of California, which bases are in accord with accepted accounting principles in evaluating securities of life insurance companies. The policy and claim reserves were examined by Mr. William M. Corcoran, Consulting Actuary of New York City, who has stated in his certificate that the total of such reserves, $241,398,381.99, is a satisfactory and adequate present valuation of the Company's liability therefor. The investment contingency reserves represent the Company's estimate of probable losses on realization of mortgage loans and real estate.

In our opinion, based on such examination, the accompanying balance sheet fairly presents the financial condition of the Company at December 31, 1942.

HASKINS & SELLS

Los Angeles, February 15, 1943.

PACIFIC MUTUAL AGENCIES

ALABAMA—Tuscaloosa
Frank Fitts, State Agent

ARIZONA—Phoenix
F. B. Schwentker, General Agent

ARKANSAS—Little Rock
C. L. Durrett, General Agent

CALIFORNIA
Fresno
Charlton G. Standeford,
General Agent

Glendale
L. A. Arzt, General Agent

Hollywood
Arthur E. Kraus, C.L.U.
General Agent

Long Beach Branch Office

Los Angeles
E. A. Ellis, General Agent
Paschall-Gist Company,
General Agents
A. N. Boulton, Sales Manager
Railroad Dept.

Oakland
Ted Dreyer, C.L.U.
General Agent

Pasadena
Rexford M. Truesdell,
General Agent
Harriman-Moore & Company,
General Agents

Sacramento
Herbert G. Pink, General Agent

San Diego
G. Campbell Janney,
General Agent

San Francisco
H. Kenneth Cassidy, C.L.U.
General Agent

San Jose
C. T. Abell, General Agent

Ventura
A. M. Anderson, General Agent

West Los Angeles
Erle T. Gilbert, General Agent

COLORADO—Denver
Fabling and Gillis,
General Agents

DELAWARE
Hare and Chase, General Agents
Philadelphia, Pennsylvania

DISTRICT OF COLUMBIA
Washington
Raymond A. DuFour,
General Agent

FLORIDA
Jacksonville
Harold E. Williams, General Agent

Miami Branch Office

Tampa
W. R. Letcher, General Agent

GEORGIA—Atlanta
Emory L. Jenks, C.L.U.
General Agent

IDAHO
Hazen Exeter, General Agent
Salt Lake City, Utah

ILLINOIS
Chicago
E. E. Henderson, General Agent
The Rappaport Agency,
General Agents
John L. Watts, General Agent
C. H. Davis, Manager
Railroad Dept.

Springfield
Leon J. Senesac, General Agent

INDIANA
Evansville
A. Wayne Toy, General Agent

Indianapolis
Rex N. Rafferty, General Agent

IOWA
Cedar Rapids
William G. Young, Jr.,
General Agent

Des Moines
Byron L. Hart, General Agent

KANSAS—Wichita
William E. Moore, General Agent

KENTUCKY—Louisville
Thomas H. Wall, General Agent

LOUISIANA
New Orleans
Roy A. Schroder, General Agent

Shreveport
Erick Gebsen, General Agent

MARYLAND—Baltimore
Bowen, Bartlett and Kennedy,
General Agents

PACIFIC MUTUAL AGENCIES

MICHIGAN
Detroit
E. Walter Albachten, General Agent
Grand Rapids
Robert C. Reed, General Agent

MISSISSIPPI—New Albany
Paul Owen, General Agent

MISSOURI
Kansas City
Robert E. Watts, General Agent
St. Louis
Max B. Jackoway, General Agent

MONTANA—Billings
Harry Reynolds, General Agent

NEBRASKA—Omaha
Frank L. Sveska, General Agent

NEVADA
Hazen Exeter, General Agent
Salt Lake City, Utah

NEW JERSEY—Newark
T. C. Sherman, General Agent

NEW MEXICO
The Schwentker-Bruce Agency
El Paso, Texas

NORTH CAROLINA—Charlotte
G. W. Patterson, General Agent

OHIO
Cincinnati
Joseph M. Gantz Agency, General Agents
Cleveland
R. B. Coffman, General Agent
Columbus
Joseph M. Gantz Agency, General Agents
Dayton
Joseph M. Gantz Agency, General Agents

OKLAHOMA—Oklahoma City
M. C. White, General Agent

OREGON—Portland
F. A. Tatum, General Agent

PENNSYLVANIA
Allentown
George C. Hutchins, General Agent
Erie
Cyrus Lund, General Agent
Philadelphia
Hare and Chase, General Agents
J. C. Staples, Manager
Pittsburgh
Hoover and Diggs Co., General Agents
A. M. Klages, Manager

SOUTH CAROLINA—Anderson
J. W. Dickson, State Agent

SOUTH DAKOTA—Deadwood
Seth R. Ellis, General Agent

TENNESSEE—Memphis
Cliff Blackburn, General Agent

TEXAS
Dallas
Lem C. Swinney, General Agent
El Paso
The Schwentker-Bruce Agency
Houston
Jul B. Baumann, General Agent
San Antonio
D. J. Farrell, General Agent

UTAH—Salt Lake City
Hazen Exeter, General Agent

VIRGINIA
Farmville
Joseph E. Garland, State Manager
Lynchburg
W. W. Averett, Jr., General Agent
Roanoke
W. K. Davis, District Manager

WASHINGTON—Seattle
The Dwight Mead Agency
Lloyd A. Perkins, General Agent

WEST VIRGINIA—Huntington
Theodore Hundley, State Manager

WISCONSIN—Milwaukee
E. H. Mueller, General Agent

WYOMING
Fabling and Gillis, General Agents
Denver, Colorado

DIRECTORS

PACIFIC MUTUAL LIFE INSURANCE COMPANY

Asa V. Call, *Los Angeles*
President, Pacific Mutual Life Insurance Company

Shannon Crandall, *Los Angeles*
President, California Hardware Company

B. R. Funsten, *San Francisco*
President, Walton N. Moore Dry Goods Co.

Stephen M. Griffith, *Los Angeles*
President, Griffith Company

George Gund, *Cleveland*
President, The Cleveland Trust Company

Samuel M. Haskins, *Los Angeles*
Gibson, Dunn & Crutcher, Attorneys

THE LIBRARY OF THE
MAR 24 1943
UNIVERSITY OF ILLINOIS

John Earle Jardine, *Los Angeles*
President, William R. Staats Company

A. N. Kemp (Chairman of the Board) *Los Angeles*
President, American Airlines, Inc.

H. S. MacKay, Jr., *Los Angeles*
Flint & MacKay, Attorneys

J. W. Mailliard, Jr., *San Francisco*
President, Mailliard & Schmiedell

A. J. McFadden, *Santa Ana*
Past President, California State Chamber of Commerce

Henry S. McKee, *Los Angeles*
President, Pacific Southern Investors

Neil Petree, *Los Angeles*
President, Barker Bros.

William A. Simpson, *Los Angeles*
President, William Simpson Construction Company

Guy LeRoy Stevick, *San Francisco*
Vice-President, Fidelity & Deposit Company of Maryland

VOTING TRUSTEES

The Insurance Commissioner of the State of California

Colbert Coldwell
Coldwell, Banker & Company
San Francisco, California

A. Crawford Greene
McCutcheon, Olney, Mannon & Greene
San Francisco, California

Harvey S. Mudd
Los Angeles, California

Silas H. Palmer
San Francisco, California

Victor H. Rossetti, *President*
Farmers & Merchants National Bank
Los Angeles, California

Dr. Rufus B. von KleinSmid, *President*
University of Southern California
Los Angeles, California

368.302
P11f
1741

FINANCIAL

DECEMBER 1941

UNIVERSITY OF ILLINOIS

STATEMENT

Pacific Mutual Life

INSURANCE COMPANY

HOME OFFICE

LOS ANGELES, CALIFORNIA

368.302
P11f
1941

WE ARE a country at last United in a single purpose: To Win the War.

High resolve possesses all, in office, store, factory, farm and home. Each separate interest is being rapidly welded into a single whole, and from our Unity will be born a strength that will prevail.

Let us derive courage for what lies ahead; let us create spiritual reservoirs upon which we may draw in the dark hours of the struggle, and let us work with zeal and devotion toward the hour of final Victory. Let us now and ever keep before us the cause in which we lift our sword—those Freedoms dearly won. The impertinent challenge has been flung, and with determination we accept that challenge. Our cause is just, and our resolve is firm. Uplifted by our faith, we now wage righteous War.

The Rights of all are precious. And precious, too, the institutions we have here erected!

February 16, 1942

President

★ ★ ★

12 May 42 dlr 3 1941 cords NZG

To All Policyholders:

Each item presented in this report holds twofold significance: As a Policyholder, you are interested in the factual record of progress because of what it means in a very personal sense to have a part in a vitally alert institution. But beyond that, and transcending the individual satisfaction derived from such a participation, is the pride of realization that this is an enterprise intensely American in spirit and wholly representative of our national characteristics.

Illustrative of this same characteristic is the experience during the past year with respect to the volume of new business, the increase of insurance in force and growth of assets. The Company paid for $42,638,738 face amount of new life insurance during 1941, including additions to and increases in existing policies and restoration of old ones. This represents a 12.8% improvement over the previous year. At the same time insurance in force increased $8,226,002, bringing the total to $596,126,117. Assets reached a new all-time record high of $254,848,644.45, as compared with $247,124,793.77 at the end of December a year ago. Of these assets, $160,251,215.90 are owned by the Participating Life Department; $62,314,686.51 by the Non-Participating Life Department; $24,997,750.06 by the Accident and Health Department. In addition, there are $7,284,991.98 of Corporate assets applicable to all departments.

From the Policyholder's point of view, these increases are an indication of progress and healthy growth. But there is also a larger implication in these figures. The

more substantial aggregate purchases of life insurance reflect the determination of people, generally, to give thought to the future and provide a greater measure of security. The increasing reservoirs of insurance in force and accumulated assets further contribute to National well-being, since from these resources there is supplied enlarged financial support for the war. It is apparent that these considerations of broad application to the entire democracy lend a new importance to gains that have been made, beyond their significance to the individual.

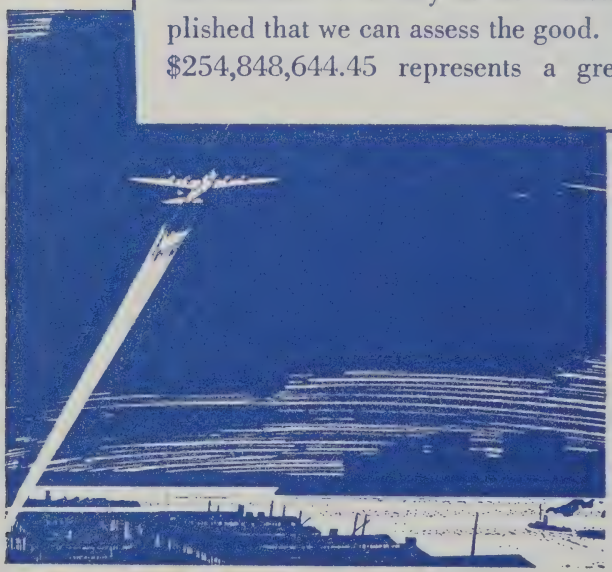
Purchase of life insurance these days means vastly more than at any time in the past. The desire of the Federal Government to divert current income from channels of spending, and apply substantial amounts to savings, is accomplished in large measure through continued purchase of life insurance. It has been pointed out recently by the banks of the nation that the objectives indicated by the Government cannot be attained by withdrawing savings or using funds already accumulated, for war savings and other Bond purchases, as this does not curtail consumer spending nor reduce the volume of rapidly expanding current income. The end in view can be achieved only by diverting today's dollar from the market for consumer goods and channeling it into savings to insure victory.

Another instance in which the twofold nature of the Company's activity may be exemplified is in the payments of all kinds made to Policyholders. During the past year, Policyholders or their beneficiaries have received from the Company $19,759,527.16, and at the same time policy and claim reserves have been increased $6,865,638.08 to a total of $234,223,570.78. These

distributions, in many instances, have meant for those who received them the right to live: food, clothing, and shelter. To others, these payments have provided education; the opportunity to enter business; the purchase of a home, or security in the retirement years. Each circumstance has been surrounded with its own individuality, and marked with the realization of a selected objective.

Bread; shoes; a place to live. But even more than these is the significance of the ideal they represent—the right of the individual to choose the way in which assurance of these essentials shall be guaranteed. The right to say that those for whom these things are to be provided shall be protected against future want. It is not only that through the instrumentality of Pacific Mutual these $19,759,527.16 have been distributed to Policyholders and their beneficiaries this past year, but also that in the years to come this precious privilege shall continue for all generations.

Accumulated assets are not necessarily an end in themselves. It is only as we measure the work accomplished that we can assess the good. While it is true that $254,848,644.45 represents a great deal of money



(treasured against the time when it shall serve the purpose for which the Policyholders have joined in its creation), the larger view today insists that it *now* must justify itself.

How are these assets serving the Nation and the public? The Policyholder is entitled to know.

Life Insurance is one of the greatest safeguards we possess against the dreaded and destructive type of inflation which ravaged Europe after the close of the previous war. To the extent that the premiums on these policies are paid each year out of current income, a positive check is placed upon the volume of consumer spending that competes for commodities in a market already short of available goods. Further, as these premium payments are invested in Government Bonds, they ease the strain upon National finances to a very considerable degree.

Pacific Mutual has $46,505,534.25 invested in United States Government Bonds and $2,525,264.88 in Canadian Government Bonds, and in addition $10,170,073.88 in Bonds of States, Counties and Municipalities. These investments are a direct and material aid to the Nation's war program, and further serve to strengthen and sustain the American institutions of government. Other investments in bonds total $35,840,309.79, comprised of public utility, industrial and corporate issues. These are American enterprises which are themselves, in many instances, engaged directly in aiding the war effort. All are important to the service of the public and representative of the American Way of Life.

The aggregate of these several classifications gives the Company a total bond investment of $95,041,182.80, an increase of $3,438,646.66 over the previous year.

Another significant way in which the Company serves its Policyholders and the Nation through the administration of its assets is exemplified in the volume of Mortgage Loans totaling $101,603,050.48, the greatest in the history of the Company. Because they are carefully selected and widely distributed throughout the United States (there are in fact 13,750 separate loans in 24 different states), these are properly classified as choice investments. Here is a summarized description of the entire group:

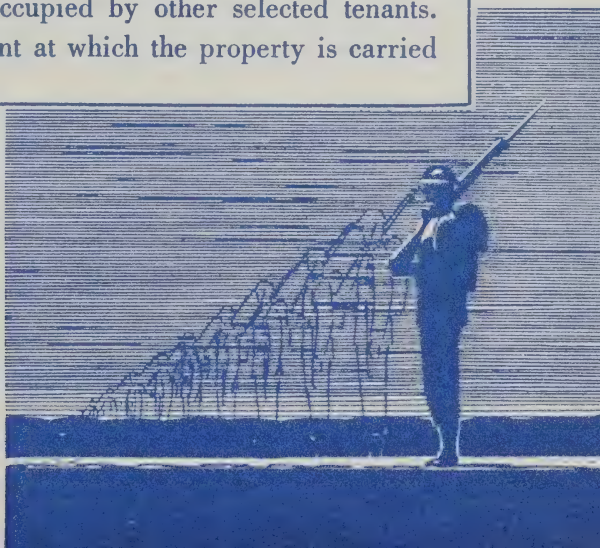
F.H.A. Loans (11,614 separate loans guaranteed by the U.S.)	$ 47,237,059.75
Other Mortgage Loans (2,136 separate loans)	54,365,990.73
	$101,603,050.48

But there is more to be said than this brief recital of values and figures. These loans are the essence of America. The houses and apartments which lie behind these mortgages are homes. In them live the men and women who do America's work; who build the ships, the tanks, the planes that buttress our liberties. They are the citadels we defend, for each one is the castle of some free man's dream. The commercial structures and office buildings on the security of which many of these loans have been made are an integral part of the American enterprise system.

Mortgage loans have increased $10,207,017.57 during the year just closed, representing an enlarged participation in the steady forward progress of the Nation and a continuing service to the people whose faith, courage and vision insure our destiny.

In the Company's list of Assets is the item of Real Estate. This consists of two principal classifications: the Home Office property—a modern office building in downtown Los Angeles, occupying an entire block on its principal frontage—and other Real Estate owned comprising various parcels which have come into possession of the Company in the normal course of its business.

In the administration of its Real Estate, the Company again recognizes the two phases of its relationship. In the case of the Home Office property, it observes the necessity for adequate facilities with which to conduct its own business economically and efficiently, but at the same time it conceives that, as the custodian of a substantial office building in a great metropolitan center, those portions not required for Company purposes must also serve the public interest and convenience in suitable manner. To this end the street floor quarters, readily adaptable to the needs of the community, are leased to established business houses, and office space throughout the upper floors of the building, not required for Company purposes, is occupied by other selected tenants. Each year the amount at which the property is carried



PACIFIC MUTUAL LI

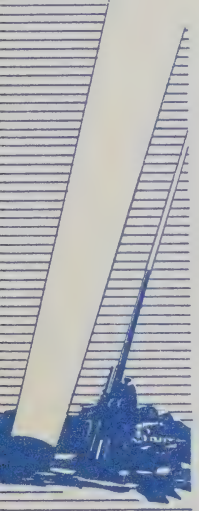
BALANCE SHEET, DECEMBER 3
(Participating Life, Non-Participat

ASSETS

CASH ON HAND AND IN BANKS (including time deposits)		$ 2,630,494.50
BONDS:		
United States Government	$46,505,534.25	
Canadian Government	2,525,264.88	
States, counties, and municipalities	10,170,073.88	
Public utility, industrial, and other	35,840,309.79	
Total bonds		95,041,182.80
CORPORATE STOCKS:		
Preferred	$ 1,059,108.97	
Common	1,325,673.35	
Total corporate stocks		2,384,782.32
MORTGAGE LOANS ON REAL ESTATE (including F.H.A. loans, $47,237,059.75)		101,603,050.48
COLLATERAL LOANS		660,481.60
LOANS ON POLICIES		29,483,595.7
REAL ESTATE:		
Home Office property	$ 9,573,587.40	
Other properties	8,194,294.21	
Total real estate		17,767,881.61
INTEREST AND RENTS DUE AND ACCRUED		1,378,340.79
PREMIUMS OUTSTANDING AND DEFERRED		3,887,004.88
OTHER ASSETS		11,829.69
TOTAL		$254,848,644.48

Fina

The business of Pacific Mutual Life Insurance Company is conducted i
Health. The assets are held to secure their respective obligations as fu
Departments of the Assets described in the Consolidated Financial Sta



INSURANCE COMPANY

41, COMBINING ALL DEPARTMENTS
fe, Accident and Health, and Corporate)

LIABILITIES

POLICY AND CLAIM RESERVES:		
Policy reserves	$197,805,998.00	
Approved claims payable in instalments	34,121,386.00	
Death, disability, and endowment claims awaiting completion of proofs	2,296,186.78	
Total policy and claim reserves		$234,223,570.78
OTHER LIABILITIES TO POLICYHOLDERS:		
Policy dividends left with Company and accrued interest thereon	$ 5,672,849.00	
Reserve for dividends	763,011.14	
Advance premium deposits	829,977.92	
Advance interest on policy loans	617,904.58	
Total other liabilities to policyholders		7,883,742.64
RESERVE FOR FEDERAL, STATE, AND COUNTY TAXES		642,266.00
OTHER LIABILITIES		1,556,895.95
ASSET CONTINGENCY RESERVES		2,932,220.00
UNASSIGNED SURPLUS (for the exclusive use of the Participating Life Department)		324,957.10
CAPITAL STOCK AND SURPLUS (available for all departments):		
Capital stock (authorized and issued, 10,000 shares of $100.00 each)	$ 1,000,000.00	
Surplus (including paid-in surplus, $2,000,000.00)	6,284,991.98	
Total capital stock and surplus		7,284,991.98
TOTAL		$254,848,644.45

Structure

ee Departments—Participating Life, Non-Participating Life, and Accident and
s if each Department were a separate company. The ownership by the Separate
nt is set forth in the accompanying Report to Policyholders.

on the books is reduced by a charge of $270,851.39 for depreciation of the building and amortization of the value of the real estate.

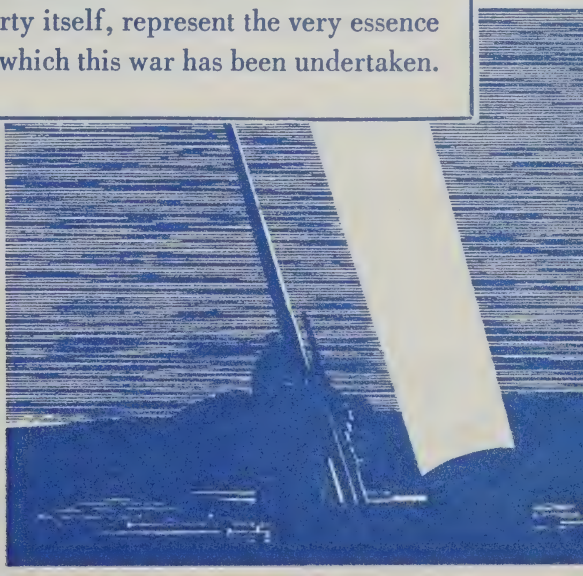
With respect to other real estate, the Company undertakes to condition these properties for resale and dispose of them as market conditions warrant. During the past year 90 separate parcels have been sold for an aggregate of $1,944,000. It is not the policy of the Company to hold real estate unnecessarily, as such a practice in not conceived to be in the public interest.

Here is a summarized table showing all the admitted assets, expressed in dollar amounts, and also indicating the per cent which each item bears to the total:

	Admitted Assets	*Per Cent of Total*
U. S. Government Bonds	$ 46,505,534.25	18.25
State, County and Municipal Bonds	10,170,073.88	3.99
Canadian Government Bonds	2,525,264.88	.99
Public Utility Bonds	21,260,228.74	8.34
Railroad Bonds	9,768,793.59	3.83
Industrial and Other Bonds	4,811,287.46	1.89
Preferred Stocks	1,059,108.97	.42
Common Stocks	1,325,673.35	.52
Loans on City Properties (Exclusive of F.H.A.)	52,719,887.98	20.68
Loans on Farm Properties	1,646,102.75	.65
F.H.A. Insured Loans	47,237,059.75	18.54
Real Estate Including Home Office	17,767,881.61	6.97
Loans to Policyholders	29,483,595.72	11.57
Cash and Other Assets	8,568,151.52	3.36
Total	$254,848,644.45	100.00

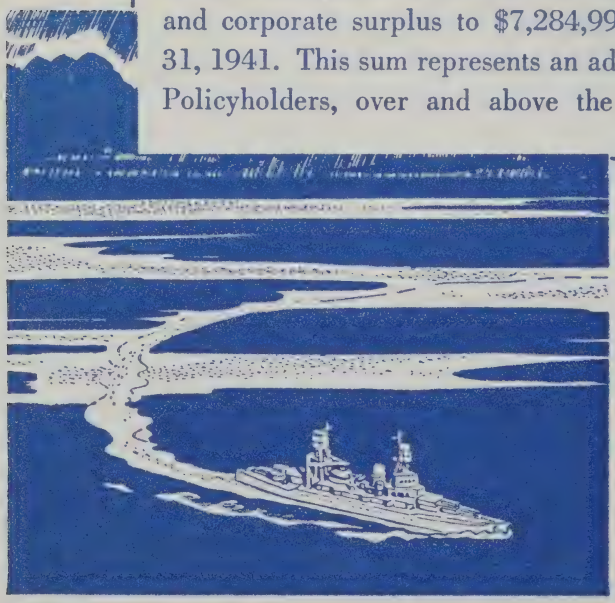
It is worth noting the extent to which this aggregate may be said to aid in the whole war program. Obviously Government Bonds—both United States and Canadian —are of direct assistance. Purchase of State, County and Municipal Bonds helps these subdivisions of Government in financing their own internal effort. Public Utility, Railroad, and many industrial enterprises are vital to those aspects of the war which have to do with the production of power for the factories, the transportation of troops and supplies, and the manufacture of munitions, equipment and a great variety of goods used by the military and civilian population.

Money loaned on mortgages serves in three distinct ways to further the Nation's war participation. Dwellings which house the defense workers—and these loans are a special type of F.H.A. insured loans—are an essential aid to war preparation. Mortgage money loaned on business properties is in the interest of sound and stable commercial conditions, and loans to home owners, whether through the facilities of F.H.A. or directly on the security of the property itself, represent the very essence of the principles for which this war has been undertaken.



On its investments, the net interest earned in the Participating Life Department was at the rate of 3.68%; the Non-Participating Life Department, 3.67%; and for the Company as a whole, 3.60%. These yields are favorably influenced to some extent by the extremely satisfactory collection experience of the past year, but are still comparatively low. This condition is evident in the present trend of life insurance costs in spite of the favorable mortality experience. The ratio of actual to expected mortality this past year was 53.8% and compares with a five-year average rate of 55.6%. By careful medical selection and sound underwriting practice, the Company seeks to achieve results which are important to the Policyholders as an element in preserving as low a premium rate as possible for their insurance protection.

After all business for the year had been concluded, the Company increased its corporate surplus $1,181,960.69, bringing the total amount of combined capital and corporate surplus to $7,284,991.98 on December 31, 1941. This sum represents an added security for all Policyholders, over and above the policy and claim



reserves of $234,223,570.78, and not including $324,957.10 of surplus applicable exclusively to the Participating Life Department. A separate asset contingency reserve of $2,932,220 is also carried to provide against losses as they occur in the disposal of certain assets. These results have been achieved after payments to Policyholders, additions to policy and claim reserves, reserve for taxes and other charges and expense covering the whole of the past year.

At intervals of three years, the Insurance Commissioner of California conducts a detailed examination of the affairs of the Company, and at such times is joined by examiners representing the Insurance Departments of a number of other states. The year ended December 31, 1941, is the occasion for this regular triennial examination, and in consequence an audit by independent accountants, which is a normal and customary procedure with the Company, would be an unwarranted expense. The report of the Insurance Commissioner of California, when completed, becomes a public document and copies will be filed with each of the 40 states, as well as the District of Columbia, where the Company transacts business.

★ ★ ★

PACIFIC MUTUAL AGENCIES

ALABAMA—Tuscaloosa
Frank Fitts, State Agent

ARIZONA—Phoenix
F. B. Schwentker, General Agent

ARKANSAS—Little Rock
C. L. Durrett, General Agent

CALIFORNIA

Fresno
Charlton G. Standeford,
General Agent

Glendale
E. A. Smith, Jr., General Agent

Hollywood
Arthur E. Kraus, C.L.U.
General Agent

Long Beach
Jack W. Jones, C.L.U.
General Agent

Los Angeles
E. A. Ellis, General Agent
Paschall-Gist Company,
General Agents
A. N. Boulton, Sales Manager
Railroad Dept.

Oakland
Ted Dreyer, C.L.U.
General Agent

Pasadena
Rexford M. Truesdell,
General Agent

Sacramento
Herbert G. Pink, General Agent

San Diego
G. Campbell Janney,
General Agent

San Francisco
H. Kenneth Cassidy, C.L.U.
General Agent

San Jose
C. T. Abell, General Agent

Ventura
A. M. Anderson, General Agent

COLORADO—Denver
Fabling and Gillis,
General Agents

DELAWARE
Hare and Chase, General Agents
Philadelphia, Pennsylvania

DISTRICT OF COLUMBIA

Washington
Raymond A. Du Four,
General Agent

FLORIDA

Jacksonville
Harold E. Williams, General Agent

Miami
Dave J. Cohn, General Agent

Tampa
W. R. Letcher, General Agent

GEORGIA—Atlanta
Emory L. Jenks, C.L.U.
General Agent

IDAHO
Hazen Exeter, General Agent
Salt Lake City, Utah

ILLINOIS

Chicago
E. E. Henderson, General Agent
The Rappaport Agency,
General Agents
John L. Watts, General Agent
C. H. Davis, Manager
Railroad Dept.

Springfield
Leon J. Senesac, General Agent

INDIANA

Evansville
A. Wayne Toy, General Agent

Indianapolis
Earl T. Bonham, General Agent

IOWA

Cedar Rapids
William G. Young, Jr.,
General Agent

Des Moines
Byron L. Hart, General Agent

KANSAS—Wichita
William E. Moore, General Agent

KENTUCKY—Louisville
Thomas H. Wall, General Agent

LOUISIANA

Lake Charles
Erick Gebsen, General Agent

New Orleans
Roy A. Schroder, General Agent

MARYLAND—Baltimore
Bowen, Bartlett and Kennedy,
General Agents

PACIFIC MUTUAL AGENCIES

MICHIGAN
Detroit
E. Walter Albachten, General Agent
Grand Rapids
C. T. Allen, General Agent

MISSISSIPPI—New Albany
Paul Owen, General Agent

MISSOURI
Kansas City
Robert E. Watts, General Agent
St. Louis
Rex N. Rafferty, General Agent

MONTANA—Billings
Harry Reynolds, General Agent

NEBRASKA—Omaha
Frank L. Sveska, General Agent

NEVADA
Hazen Exeter, General Agent
Salt Lake City, Utah

NEW JERSEY—Newark
T. C. Sherman, General Agent

NEW MEXICO
The Schwentker-Bruce Agency
El Paso, Texas

NORTH CAROLINA—Charlotte
G. W. Patterson, General Agent

OHIO
Cincinnati
Joseph M. Gantz Agency, General Agents
Cleveland
R. B. Coffman, General Agent
Columbus
Joseph M. Gantz Agency, General Agents
Dayton
Joseph M. Gantz Agency, General Agents

OKLAHOMA—Oklahoma City
C. C. Day, General Agent

OREGON—Portland
F. A. Tatum, General Agent

PENNSYLVANIA
Allentown
George C. Hutchins, General Agent
Erie
Cyrus Lund, General Agent
Philadelphia
Hare and Chase, General Agents
J. C. Staples, Manager
Pittsburgh
Hoover and Diggs Co., General Agents
A. M. Klages, Manager

SOUTH CAROLINA—Anderson
J. W. Dickson, State Agent

SOUTH DAKOTA—Deadwood
Seth R. Ellis, General Agent

TENNESSEE—Memphis
Cliff Blackburn, General Agent

TEXAS
Dallas
Lem C. Swinney, General Agent
El Paso
The Schwentker-Bruce Agency
Houston
Jul B. Baumann, General Agent
San Antonio
D. J. Farrell, General Agent

UTAH—Salt Lake City
Hazen Exeter, General Agent

VIRGINIA
Farmville
Joseph E. Garland, State Manager
Lynchburg
W. W. Averett, Jr., General Agent
Roanoke
W. K. Davis, District Manager

WASHINGTON—Seattle
The Dwight Mead Agency
Lloyd A. Perkins, General Agent

WEST VIRGINIA—Huntington
Theodore Hundley, State Manager

WISCONSIN—Milwaukee
E. H. Mueller, General Agent

WYOMING
Fabling and Gillis, General Agents
Denver, Colorado

PACIFIC MUTUAL LIFE UNDERWRITERS ARE AGENTS OF DEFENSE

Life Insurance itself is a vital factor in the Nation's Defense Program . . . and the Agents who represent this great institution are, in fact, defense workers.

While Pacific Mutual has no priorities . . . no production schedules . . . no military significance, it is, in its particular field, as important as are the tanks and airplanes of battle. While they are ready to defend against aggression from without . . . Pacific Mutual is on the job building national security from within.

Unlike a dictated economy that attempts to attain national security by threatening and forcing men and women to its will . . . Pacific Mutual and the other great insurance companies of America are creating a strong and determined people through the voluntary use of life insurance.

In no other country have people built sturdier bulwarks against personal adversity. Nowhere else are people as well off as they are right here. Nowhere else in the world have the blows of misfortune been softened as they have been in our own nation . . . with insurance aiding us to share our common hazards.

The Life Underwriter . . . the Agent in your community who represents Pacific Mutual . . . has helped make the country strong . . . and only a strong people can maintain a strong defense permanently.

★ ★ ★

THE LIBRARY OF THE
MAR 12 1942
UNIVERSITY OF ILLINOIS

BOARD OF DIRECTORS

ASA V. CALL, *Los Angeles*
Executive Vice President and Counsel

JEFFERSON P. CHANDLER, *Los Angeles*
Chandler & Wright, Attorneys

SHANNON CRANDALL, *Los Angeles*
President, California Hardware Company

B. R. FUNSTEN, *San Francisco*
President, Walton N. Moore Dry Goods Co.

GEORGE GUND, *Cleveland, Ohio*
President, The Cleveland Trust Company

SAMUEL M. HASKINS, *Los Angeles*
Gibson, Dunn & Crutcher, Attorneys

JOHN EARLE JARDINE, *Los Angeles*
President, William R. Staats Company

A. N. KEMP, *Los Angeles*
President

H. S. MACKAY, JR., *Los Angeles*
Flint & MacKay, Attorneys

J. W. MAILLIARD, JR., *San Francisco*
President, Mailliard & Schmiedell

A. J. MCFADDEN, *Santa Ana*
Past President, California State Chamber of Commerce

HENRY S. MCKEE, *Los Angeles*
President, Pacific Southern Investors

NEIL PETREE, *Los Angeles*
President, Barker Bros.

WILLIAM A. SIMPSON, *Los Angeles*
President, Wm. Simpson Construction Co.

GUY LEROY STEVICK, *San Francisco*
Vice President, Fidelity and Deposit Company of Maryland

VOTING TRUSTEES

THE INSURANCE COMMISSIONER OF THE STATE OF CALIFORNIA

COLBERT COLDWELL
Coldwell, Banker & Co.,
San Francisco, California

A. CRAWFORD GREENE
McCutcheon, Olney, Mannon & Greene,
San Francisco, California

HARVEY S. MUDD
Los Angeles, California

SILAS H. PALMER
San Francisco, California

VICTOR H. ROSSETTI
Farmers & Merchants National Bank,
Los Angeles, California

DR. RUFUS B. VON KLEINSMID
University of Southern California,
Los Angeles, California

1896-41